

## CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Wilmington Savings Fund Society, FSB

Holding Company: WSFS Financial Corporation

|                                |                                 |  |                               |
|--------------------------------|---------------------------------|--|-------------------------------|
| Point of Contact:              | Thomas W. Kearney, EVP - RRISCC | RSSD: (For Bank Holding Companies)                     | 437914-Wilmington Savings Fun |
| UST Sequence Number:           | 514                             | Docket Number: (For Thrift Holding Companies)          | H-1232                        |
| CPP/CDCI Funds Received:       | 52,625,000                      | FDIC Certificate Number: (For Depository Institutions) | 17838                         |
| CPP/CDCI Funds Repaid to Date: |                                 | Credit Union Charter Number: (For Credit Unions)       | N/A                           |
| Date Funded (first funding):   | January 23, 2009                | City:  | Wilmington                    |
| Date Repaid <sup>1</sup> :     | N/A                             | State:   | Delaware                      |

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

WSFS appreciates the bold actions of the US Treasury and regulatory agencies during the financial crisis to stabilize the economy. WSFS participated in the CPP program to further those ends. We are therefore pleased, once again, to present our progress on the use of those funds and

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**X** To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

The increase in lending was primarily in Commercial & Industrial (C&I) loans with a slight increase in Commercial Real Estate (CRE) loans.

**X** Increase securities purchased (ABS, MBS, etc.).

The Bank has purchased mortgage-backed securities (MBS) with short durations, strong cash flows and significant liquidity during 2011. Management is currently allowing the non-agency securities to run-off and we are purchasing agency securities. The Bank believes these purchases are

**X** Make other investments.

The Bank continues to invest in its franchise and in the community by opening new branch offices. During 2011, the Bank opened four new branch offices and relocated/renovated three other branch offices to new locations. In addition, the Bank expanded its footprint in its Corporate head

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**X Increase reserves for non-performing assets.**

The reserves for non-performing assets for 2011 were \$4.7 million; compared to \$12.5 million for 2010. In addition, total non-performing assets decreased from \$92.9 million in 2010 to \$91.7 million in 2011. The reason for the reduction in the reserves for non-performing assets was parti

**X Reduce borrowings.**

The Bank's total wholesale borrowings increased slightly (\$15 million) to support the significant loan growth (\$136.9 million) and net MBS purchases (\$283 million) in 2011. The main funding source for our overall balance sheet growth continued to be growth in customer deposits of \$286 million.

**X Increase charge-offs.**

Overall, loan charge-offs remained stable during 2011. Commercial loan charge-offs for 2011 were \$26.3 million; compared to \$26.3 million for 2010. Consumer loan charge-offs were \$5.1 million for 2011; compared to \$5.8 million for 2010. Residential Mortgage charge-offs were \$3.0 million for 201

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**X Purchase another financial institution or purchase assets from another financial institution.**

WSFS did not purchase another financial institution or assets from another financial institution during 2011.

**X Held as non-leveraged increase to total capital.**

In July 2009, the Holding Company contributed \$34.2 million of TARP capital to the Bank (Wilmington Savings Fund Society, FSB). This contribution brought the total amount of TARP capital contributed to the Bank to 90% of the original amount. In December 2010, the Holding Comp

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

WSFS has taken a number of actions during 2011. These actions are part of the Bank's business plan or are normal banking activities conducted by the Bank. However, the capital infusion of CPP funds was an aid in assisting the Bank with these actions and it is reasonable to assume that had we not taken CPP funds we would not have been able to do some, or many of these actions. These actions include the following:

- The Bank increased net loans \$136.9 million, or 5% compared to December 31, 2010. This increase included growth of \$222.1 million, or 18%, in Commercial and Industrial loans, which was partially offset by a \$39.3 million decline in residential mortgage loans, \$34.7 million decline in construction loans and a decline of \$18.7 million in consumer loans
- The Bank has purchased agency mortgage backed securities (MBS) with short durations, strong cash flows and significant liquidity. During 2011, the Bank increased its holdings of MBS securities by \$115.9 million from December 31, 2010.
- WSFS' capital position improved during 2011. Shareholder's Equity was \$392.1 million at December 31, 2011; compared to \$367.8 million at December 31, 2010. This is an increase of \$24.3 million to support our growth and strength.
- The Bank continues to invest in its franchise and in the community by opening new branch offices. During 2011, the Bank opened four new branch offices and relocated/renovated three other branch offices to new locations. In addition, the Bank expanded its footprint in its Corporate headquarters building by taking additional space to accommodate recent and future growth. This investment in expansion has resulted in the Bank having made 94 adds-to-staff in 2011, as well as anticipating having 46 adds-to-staff in its 2012 budget. In 2012, the Bank plans to open two new branch offices and to relocate its Operations Center to a new location. WSFS continues its expansion during a time where the national unemployment rate at January 31, 2012 was at 8.3%, and the State of Delaware's unemployment rate was at 7.4%, further supporting the local economy.
- The Bank's total wholesale borrowings increased slightly (\$15 million) to support the significant loan growth (\$136.9 million) and net MBS purchases (\$283 million) in 2011. The main funding source for our overall balance sheet growth continued to be growth in customer deposits of \$286 million.

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### **What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

The Bank's business plan or normal banking activities include the following actions. The capital infusion of CPP funds was an aid in assisting WSFS with a number of these actions during 2011. These actions included: 1) a net increase in loan balances; 2) the purchase of a significant amount of MBS; 3) an improvement in WSFS' capital position; 4) the continued investment in the Bank's franchise; 5) the Bank's continuing efforts to work with its borrowers regarding mortgage loan modifications, and 6) the Bank's participation in a number of Federal and State programs as indicated below.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

The Bank has provided loans or participated in a number of initiatives to support economic development and recovery in Delaware. The infusion of CPP funds was an aid in assisting the Bank in taking these initiatives. A sample of these initiatives is listed below:

- Hampton Circle, L.P. – WSFS provided a \$1.2 million construction loan for a new 35-unit senior citizen rental project in Seaford, Delaware. The U.S. Department of Agriculture Rural Development Administration and the Delaware State Housing Authority provided additional construction and permanent financing. All rents are below market for income-qualified seniors due to the reduced rate and deferred permanent financing from the public entities.
- Milton & Hattie Kutz Home Inc. – The Bank issued a \$13 million tax-exempt construction/permanent loan for an assisted living facility and skilled nursing home for a 47-unit expansion to an existing 90-bed skilled nursing and rehabilitation facility. The facility is located in a moderate-income area west of the City of Wilmington and will provide needed services for elderly citizens, as well as both temporary construction jobs and permanent healthcare jobs.
- Port Contractors, Inc. - WSFS provided a \$7.3 million loan for the construction of a new 100,000 s.f. warehouse as an expansion of an initial \$22 million in construction and working capital financing provided in previous years for the establishment of a green energy food and yard waste composting facility in an industrial area in a low to moderate-income area of South Wilmington. The facility recycles potential landfill waste and provides employment for individuals in the local area.
- Penn Hills Apartments – WSFS committed to provide \$10 million in a Federal Low Income Housing Tax Credit investment for construction and permanent financing for a new construction 49-unit residential property located in Ridley Township, Delaware County, Pennsylvania. The project, which will receive additional financing from the Delaware County Neighborhood Stabilization Program and HOME funds and will provide below market rate rental apartments.
- The ARC of Chester County – The Bank provided a \$1.3 million tax-exempt bank-qualified loan for the purpose of refinancing the nonprofit agency's headquarters property and a \$500 thousand working capital line of credit to bridge receivables for The ARC of Chester County, Pennsylvania. The ARC provides residential care for individuals with developmental disabilities.